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Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 EURE-00 SSO-00 INRE-00 USIE-00
AID-05 CEA-01 CIAE-00 COME-00 EB-08 EA-10 FRB-03
INR-07 NEA-10 NSAE-00 OPIC-03 SP-02 TRSE-00
LAB-04 SIL-01 AGRE-00 OMB-01 SS-15 L-03 STR-05
XMB-02 /106 W
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O R 031655Z OCT 77
FM AMEMBASSY PARIS
TO SECSTATE WASHDC IMMEDIATE 9710
INFO ALL OECD CAPITALS
USMISSION GENEVA
AMEMBASSY BRUSSELS

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USEEC

E.O. 11652: N/A
TAGS: ETRD, OECD
SUBJECT: AD HOC STEEL GROUP: MEETING SEPTEMBER 29-30

1. SUMMARY: SECOND MEETING OF OECD AD HOC STEEL GROUP ASSESSED THE DIFFICULT SITUATION FACING NATIONAL STEEL INDUSTRIES AND REACHED BROAD CONSENSUS ON NATURE OF MAIN PROBLEMS IN THIS SECTOR: PERSISTENT EXCESS CAPACITY AND UNEMPLOYMENT, LAGGING DEMAND FOR INVESTMENT GOODS, DETERIORATING PRICES AND POSSIBLE DUMPING, AND THE NEED FOR STRUCTURAL ADJUSTMENT. GROUP FURTHER AGREED ON NEED TO ESTABLISH MONITORING OF PROBLEMS IDENTIFIED AS OF COMMON CONCERN, AND COMMISSIONED SECRETARIAT TO
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REPORT TO NEXT MEETING ON THE DATA AND MODALITIES NEEDED TO ACCOMPLISH THIS. SECRETARIAT WILL ALSO WORK UP LISTING OF POLICIES BEING USED TO DEAL WITH STEEL PROBLEMS, AND ASSESSMENTS OF THEIR INTERNATIONAL IMPLICATIONS, TO SERVE AS BASIS FOR DISCUSSION OF GOVERNMENT MEASURES. RESULTS WERE ACHIEVED ONLY AFTER LENGTHY NEGOTIATIONS WITH EC COMMISSION, WHOSE CON-

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STRUCTIVE PARTICIPATION IN THE MEETING WAS HAMPERED BY THEIR APPROACHING IT AS A MEETING OF EXPERTS RATHER THAN POLICY OFFICIALS FROM GOVERNMENTS. NEXT MEETING OF STEEL GROUP IS SCHEDULED FOR NOV. 30-DEC. L. END SUMMARY.

2. AD HOC STEEL GROUP TOOK NOTE OF SECRETARIAT PAPERS ON TRADE TRENDS AND MEDIUM-TERM SUPPLY/DEMAND PROJECTIONS WITH LITTLE COMMENT, AND SPENT MOST OF TIME ON NATIONAL PRESENTATIONS ON THE DOMESTIC STEEL SITUATION. THESE ON THE WHOLE GAVE DISMAL PICTURE OF THE SITUATION IN THE WORLD INDUSTRY AND THE NATIONAL ADJUSTMENT PROBLEMS BEING FACED. U.S. DEL INDICATED HOW COMBINATION OF LAGGING DEMAND AND RISING COSTS HAD LED TO NUMBER OF PLANT CLOSINGS IN U.S., WITH PROSPECT OF FURTHER DISINVESTMENT IN FALL AND WINTER--EVEN THOUGH U.S. INDUSTRY WAS ESTIMATED TO BE COMPETITIVE WITH THAT IN EUROPE. HE NOTED ANTIDUMPING CASES UNDERWAY, STATING THAT THE USG CONSIDERED THIS THE APPROPRIATE REMEDY TO THE SHORT TERM INTERNATIONAL PROBLEMS BEING ENCOUNTERED AT THIS TIME. U.S. DEL ALSO DESCRIBED THE MOUNTING POLITICAL PRESSURES FOR ACTION ON STEEL, AND TOLD GROUP MOST SENIOR LEVELS OF USG WERE REASSESSING APPROACH TO THE INDUSTRY AND SUGGESTED THAT THIS REVIEW WOULD INVOLVE A DOMESTIC COMPONENT AT LEAST AS IMPORTANT AS THE TRADE COMPONENT. MEANWHILE, LIMITED OFFICIAL USE

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HE STRESSED THE URGENT NEED FOR THE AD HOC GROUP TO MOVE QUICKLY IN TO A MORE ACTIVE AND CONSTRUCTIVE PHASE.

3. EC STATEMENT HIGHLIGHTED ROLE OF TRADE IN THE DIFFICULTIES OF THE EUROPEAN INDUSTRY, CLAIMING 40 PERCENT OF THE REDUCTION IN PRODUCTION SINCE 1973 WAS DUE TO INCREASED IMPORTS AND DECREASED EXPORTS. COMMISSION DEL (SCHAEFFER) SKETCHED DAVIGNON PLAN AND SAID ITS SUCCESS WOULD DEPEND IN LARGE MEASURE ON COOPERATION BY TRADING PARTNERS. JAPANESE INDICATED THAT THEIR INDUSTRY WAS FACED WITH NEED TO MAKE DOWNWARD ADJUSTMENTS IN PRODUCTION AND CAPACITY AND ARGUED THEIR FIRMS HAD KEPT AHEAD OF RECESSION ONLY BY VIRTUE OF MASSIVE MODERNIZATION AND RATIONALIZATION EFFORTS. JAPANESE DEL SOUGHT TO MINIMIZE EXTENT TO WHICH PRODUCTION GROWTH HAD DEPENDED ON EXPORTS AND TO MAXIMIZE SHARE OF EXPORT GROWTH WHICH HAD GONE TO LDC'S AND COMMUNIST BLOC RATHER THAN OECD COUNTRIES. FINALLY, HE STATED NEITHER CAPACITY NOR EXPORTS OF

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XMB-02 /106 W
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INDUSTRY WERE EXPECTED TO INCREASE SIGNIFICANTLY IN NEXT FEW YEARS. AUSTRALIA, SWITZERLAND, NORWAY, AND SWEDEN AND SPAIN ALSO MADE BRIEF PRESENTATIONS STRESSING DIFFICULT CIRCUMSTANCES OF STEEL INDUSTRY IN THEIR ECONOMIES. CANADA GAVE A RELATIVELY UPBEAT PRESENTATION AND INDICATED NO SPECIAL DOMESTIC GOVERNMENT ATTENTION WAS ANTICIPATED. IN COMMENTING ON OTHERS' STATEMENTS, U.S. POINTED OUT DIFFERENT MEANS USED BY VARIOUS GOVERNMENTS TO DEAL WITH PROBLEM (USING EC/JAPAN BILATERAL ARRANGEMENT AS ONE EXAMPLE) AND RAISED ISSUE OF EXPORT OF STEEL PLANTS TO LDC'S SUPPORTED BY EXPORT CREDITS. JAPANESE RESPONDED BY STRESSING VOLUNTARY AND GOVERNMENT-APPROVED NATURE OF EXPORT RESTRAINTS EMPLOYED BY THEIR FIRMS, BUT OTHER DELS WERE RELUCTANT TO DISCUSS ISSUES RAISED BY NATIONAL STATEMENTS.

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4. PROPOSAL OF INTERNATIONAL METAL WORKERS FEDERATION: IMF PROPOSALS FOR TRIPARTITE WORLD STEEL CONFERENCE AND MEETING BETWEEN OECD STEEL GROUP AND METAL WORKERS' REPRESENTATIVES WERE NOT TREATED IN DEPTH AS SEVERAL DELS (INCLUDING U.S.) HAD NOT HAD TIME TO CONSIDER THEM. DENMARK INDICATED IT WAS FAVORABLY DISPOSED TO TRIPARTITE CONFERENCE AND TO AN IMF-AD HOC STEEL GROUP MEETING AT THE NEXT MEETING OF THE GROUP. JAPAN DID NOT WANT TO BE NEGATIVE ON HAVING STEEL GROUP HEAR METAL WORKERS. IT WAS AGREED THAT THIS ISSUE WOULD BE CONSIDERED AT THE NEXT MEETING OF THE GROUP.

5. CONCLUSIONS AND FUTURE WORK: GOOD PORTION OF MEETING WAS SPENT NEGOTIATING CONCLUSIONS AND FUTURE WORK PROGRAM DRAWN UP BY SECRETARIAT ON BASIS OF PRESENTATIONS AND DISCUSSIONS WITH KEY DELS. PARA-GRAPH ON CONCLUSIONS ON ANTIDUMPING MEASURES PROVED MOST DIFFICULT TO WORK OUT, AS EC WAS RELUCTANT TO ACCEPT FORMULATION REFLECTING BOTH IMPORTING AND EXPORTING COUNTRY OBLIGATIONS. PROPOSED PARA DRAWING ATTENTION OF OECD EXPORT CREDITS GROUP TO PROBLEM OF PLANT EXPORTS IN THIS SECTOR WAS DROPPED AT INSISTENCE OF EC, WHICH DID NOT WANT TO MIX IN WORK OF OTHER GROUPS. GROUP AGREED HOWEVER TO COME BACK TO THIS SUBJECT AT ITS NEXT MEETING TAKING INTO ACCOUNT DISCUSSIONS OF EXPORT CREDIT GROUP. EC ALSO INSISTED THAT THERE SHOULD BE NO EXPLICIT MENTION OF GOVERNMENT MEASURES THOUGH IT AGREED THAT SUCH MEASURES WOULD BE DISCUSSED. LANGUAGE OF U.S. PROPOSAL FOR MONITORING MECHANISM, WHICH SECRETARIAT HAD ADOPTED IN ITS DRAFT, WAS WATERED DOWN, BUT ESSENCE REMAINS, AND RESULT IS GOOD BASIS FOR MORE CONCRETE DISCUSSIONS AT NEXT MEETING. CONCLUSIONS ADOPTED BY GROUP ARE REPORTED
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SEPTEL.

6. COMMENT: TRILATERAL MEETINGS BEFORE AND DURING PLENARY SESSIONS WERE DEVOTED MAINLY TO PINNING DOWN EC AND JAPAN ON QUESTION OF A MONITORING SYSTEM AND A DISCUSSION OF GOVERNMENT MEASURES AT THE NEXT MEETING. JAPANESE WERE VERY COOPERATIVE, INDICATING SOME REAL UNDERSTANDING OF SITUATION IN U.S. AND APPREHENSION OF POSSIBLE OUTCOME IF PROGRESS NOT MADE QUICKLY. EC COMMISSION, ON OTHER HAND, CAME TO MEETING APPARENTLY UNINSTRUCTED, AND WITHOUT SIGNIFICANT REPRESENTATION FROM EXTERNAL AFFAIRS DIRECTORATE. EC DELEGATION ARGUED THAT GROUP COULD NOT DO ANYTHING MORE THAN DEEP-EN EXISTING STUDIES WITHIN EXISTING TERMS OF REFER-ENCE. COMMISSION ALSO WANTED, AS AT PREVIOUS SESSION,

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LONGER SPACING BETWEEN MEETINGS. IT IS NOT CLEAR FROM HERE WHETHER PROBLEMS ENCOUNTERED WERE DUE TO ATTITUDE OF SOME MEMBER STATES (AS COMMISSION REPS CLAIMED PRIVATELY) OR TO INTERNAL COMMISSION PROBLEMS AND INADEQUATE PREPARATION FOR MEETING (AS FRENCH DEL TOLD US). SCHAEFFER INDICATED PRIVATELY THAT PROBLEMS WITHIN THE DELEGATION WOULD PROBABLY WORSEN AT SUBSEQUENT MEETINGS.
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Message Attributes

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Disposition Approved on Date:
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Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
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Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Executive Order: N/A
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Original Handling Restrictions: n/a
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Review Release Event: n/a
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Status: NATIVE
Subject: AD HOC STEEL GROUP: MEETING SEPTEMBER 29-30
TAGS: ETRD, OECD
To: STATE
Type: TE
vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/592d7538-c288-dd11-92da-001cc4696bcc
Review Markings:
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